



Irish Life Weekly Investment Bulletin

The week that was – WEEK 21 (ending 26/05/2017)

“Fear is a reaction. Courage is a decision.” – Winston Churchill

Negative equity now down to 12% of Irish homeowner mortgage loans – The latest statistics released in the Central Bank Household Credit Report show that just 12% of owner-occupiers were estimated to be in negative equity in June 2016, compared to 15% in late 2015, 28% in mid-2014 and close to 50% during crisis.

Barnier to lead EU in Brexit talks – The European Union General Affairs Council has formally appointed Michel Barnier, a veteran politician from France to broker their ‘divorce’ talks from the U.K. and they have also adopted detailed negotiating directives for the talks which are now set to begin in the week of 19th June.

Global stock market up 1.1% on the week – The MSCI AC World TR Index rebounded over the week as it showed a return of 1.12% from 19th May to 26th May with better news on the U.S. economy and corporate earnings. Volatility, as measured by the VIX, slipped to 10.30 from 10.80 over the course of the week.

U.S. Q1 economic growth revised up to 1.2% – The Bureau of Economic Analysis revised up GDP growth in the first quarter to an annualised rate of 1.2% from the initial 0.7% reading. This and impressive consumer spending helped drive the S&P 500 Index and the Nasdaq Composite Index to all-time highs on Thursday.

OPEC cuts underwhelms markets – The OPEC summit extended production cuts to March 2018 but markets were disappointed as they had been expecting the size of the cuts to be bigger so oil prices actually fell when the news broke. Oil prices dropped over 5% and energy stocks also took a sharp turn lower.

China’s credit rating cut by Moody’s – For the first time since 1989, Moody’s, one of the world’s big three ratings agencies, cut China’s rating by one notch to A1 from Aa3 because of the weaker economy. The other two main credit rating agencies, Standard & Poor’s and Fitch have so far left their ratings unchanged.

The Story of the week: After saying during the presidential election hustings that Hillary Clinton didn’t have the strength or stamina to be president, President Donald Trump received plenty of slagging and criticism for keeping six world leaders waiting for a photo opportunity at the G7 summit because he needed a golf cart to carry him 700 yards! The episode came just days after Trump sent his daughter, Ivanka, to speak at an event in Saudi Arabia because he was too “exhausted” two days into a seven-day tour of the Middle East and Europe. He is the oldest of the G7 leaders by 8 years and was on his first trip abroad as President. He also caused outrage in Montenegro after he “humiliated” the country’s Prime Minister by shoving him out of his way at the summit.

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Index Performances and Market Data*

Equity Markets % (in Local Currency)	2012	2013	2014	2015	2016	2017 YTD (to 26/05)
ISEQ Overall Return	20.5	35.8	16.8	33.6	-2.7	8.0
FTSE 100 TR	10.0	18.7	0.7	-1.3	19.1	7.6
Euro Stoxx 50 TR	18.1	21.5	4.0	6.4	3.7	10.6
S&P 500 TR	16.0	32.4	13.7	1.4	12.0	8.8
Nasdaq Composite	15.9	38.3	13.4	5.7	7.5	15.4
Nikkei 225	22.9	56.7	7.1	9.1	0.4	3.0
MSCI Emerging Markets	13.9	0.9	2.6	-8.0	7.1	13.5
MSCI AC World (Gross TR)	16.5	26.2	9.9	1.8	9.7	9.3
Sovereign 10yr Bond Yields (%)	2012	2013	2014	2015	2016	2017 YTD
U.S.	1.7	3.0	2.2	2.2	2.4	2.2
German	1.4	1.9	0.5	0.6	0.2	0.3
UK	1.9	3.0	1.9	1.9	1.2	1.0
Japan	0.7	0.7	0.3	0.2	0.0	0.0
Ireland	4.5	3.4	1.3	1.1	0.7	0.8
Italy	4.6	4.1	2.1	1.6	1.8	2.2
Greece	12.7	8.2	9.6	7.9	7.1	6.0
Portugal	6.9	6.1	2.7	2.5	3.8	3.2
Spain	5.4	4.1	1.6	1.7	1.4	1.5
Central Bank Rates (%)	2012	2013	2014	2015	2016	2017 YTD
ECB	0.75	0.25	0.05	0.05	0.0	0.0
Bank of England	0.5	0.25	0.50	0.50	0.25	0.25
U.S. Federal Reserve	0.25	0.25	0.25	0.50	0.75	1.00
Foreign Exchange Rates	2012	2013	2014	2015	2016	2017 YTD
Euro/Dollar (€/\$)	1.31	1.37	1.21	1.09	1.04	1.12
Euro/Sterling (€/£)	0.81	0.83	0.78	0.75	0.84	0.87
Sterling/Dollar (£/\$)	1.61	1.65	1.56	1.46	1.24	1.28
IPD All Property Return (%)	2012	2013	2014	2015	2016	2017
Ireland	3.1	12.7	40.1	25.0	12.8	2.0% (to end of Q1)
U.K.	2.7	10.7	17.8	13.1	3.6	2.3% (to end of Q1)
U.S.	5.3	11.4	11.2	12.1	7.8	1.6% (to end of Q1)

*Past performance is not a reliable guide to future performance